aid which was granted.) The result was not only a very early claim upon direct aid (in the third ERP year, i.e., from July 1, 1950, to June 30, 1951--8.81 million dollars) but also an exhaustion to a very considerable degree of the Initial Position supplied by the EPU in the amount of 80 million dollars. To ease the precarious situation, the OEEC was asked to increase the direct aid and to extend the Initial Position. This was granted by ECA after complicated discussions with regard to the special situation in Austria; at last, amounts of 18.2 and 10 million dollars, respectively, were granted for the period up to June 1951. 457

B. Credits, Wages, Prices and Subsides (Measures and Agreements).

The higher prices of foreign raw materials, their shortage, and the reactions which followed the fourth price and wage agreement reached between the Chambers of Economy (Wirtschaftskammern) in September 1950 led eventually to an actual transfer of the single cost elements, thus endangering the potential exports of Austria designed for the international market. In 1950 the center of gravity in the foreign trade policy lay with the foreign currency policy and was the main concern of the Nationalbank. The existing international shortage of raw materials shifted this center to the planning of quantities of imports and exports. The Austrian Federal Government, therefore, had to coordinate Austrian economy with world economic conditions. A number of economic-political proposals were introduced in the National Assembly which, limited in time to June 30, 1952, were enacted in the last session of the Fall Convocation 1950-51 (ending in February 1951). These were the laws enacted: 652 [439]

1. The law concerning the creation of an economic directorate (Wirtschaftsdirektorium) consisting of members of the Federal Government; it has as its task coordination in the fields of production, prices, food supplies and foreign trade policy. [656]

2. An amendment to the price control law (Preisregelungsgesetz) to exercise a rein upon prices; [435]

3. An amendment to the raw materials allocation law (Rohstofflenkungsgesetz) which is supposed to channel raw materials of which there is a shortage toward those goals which are most urgent economically; [438]

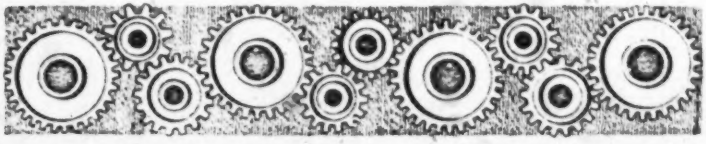
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder.

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk.

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction.

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration.

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain.



?: Marboe U-3 (no date) 1948 EK1 Austria EK1

war on the country, then the occupation of Austria and its division into zones, with ensuing damage to trade, the devaluation of the compulsorily accepted German state bonds, with the complicated problem of "German property", and finally the disappearance of the basis for Austrian insurance in a number of neighbouring states.

Just as before, the Austrian insurance organizations attach the utmost importance to international connections. These have always been of the best and it was luckily possible to resume them quickly after the end of the war and the restoration of national independence. This explains why in Austria—in contrast to other European countries—there has never been any difficulty over coverage even during the first post-war hardships, rearrangement of reciprocal insurance necessary after separation from Germany being carried out smoothly and without friction. Austrian insurance firms are untiring in their efforts to consolidate their position as far as possible in the international re-insurance market. The Austrian National Bank appreciates the desirability of this and has facilitated dealings in foreign exchange within the framework of its limited powers.

Further development of life insurance business, however, will depend on problems connected with the devaluation

readjustment of Austrian commerce which had been forcibly interrupted in the year 1938. The former successes of Austrian commercial policy justify the assumption that this goal will be reached in the not too distant future. It may also be assumed that the experience which the whole world had of the results of exaggerated protection just before 1938 will have created a more favourable attitude towards free trade, thus ensuring that Austria's efforts to increase her foreign trade will fall on more fruitful soil than before. The possibilities of internal trade in Austria are not sufficient to give a nationalist economic policy a chance of success. Foreign trade will always remain a decisive factor for the Austrian economy and thus all other commercial measures can only be considered in the light of its demands and of its development.

The progress made since 1945 has shown that Austrian economic policy is not treading outworn paths, but is adequately adapting itself to the needs of the moment. Government intervention in questions of price control, rationing, foreign trade etc., which proved necessary in the year 1945 owing to the situation at that time was gradually been dropped as soon as this became possible. Financial conditions, which were in a state of complete disorder, have been so far straightened out that money is once again able to fulfil its function in commerce as a means of exchange and as a standard of values. The path which has been followed from the "Schalter-